

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AGR-10 AID-05 CIAE-00  
COME-00 FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00  
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FM AMCONSUL MILAN

TO SECSTATE WASHDC 5385

USMISSION EC BRUSSELS

USMISSION OECD PARIS

INFO AMEMBASSY ROME

AMCONSUL FLORENCE

AMCONSUL TURIN

UNCLAS MILAN 0865

E.O. 11652: N/A

TAGS: ECIN, EAGR, ELAB, EPAP, ETRD, EEC, IT

SUBJECT: TWENTY YEARS OF THE CAP IN THE PO VALLEY -- AN  
ECONOMIC APPRAISAL

1. EVOLUTION OF PO VALLEY AGRICULTURE IS MAJOR ISSUE IN  
MILAN CONSULAR DISTRICT. IT HAS FAR REACHING IMPLICATIONS  
FOR POLITICAL PARTIES, FOR INFLUENCE OF CHURCH AND FOR  
FUTURE OF US FARM EXPORTS TO EUROPEAN COMMUNITY.

2. PUBLIC ATTITUDE TOWARD EC IN THIS AREA GENERALLY HIGHLY  
FAVORABLE. BUT IMPACT OF COMMUNITY UPON ITALIAN AGRICULTURE  
IS RECURRENT CAUSE FOR CRITICISM OF BOTH COMMUNITY AND  
GOVERNMENT IN ROME. PREVALENT THEME OF PUBLIC CRITISM IS THAT  
HEALTH OF ITALIAN AGRICULTURE HAS BEEN GRAVELY DAMAGED BY EC  
AND THAT THIS IS DETRIMENTAL TO ITALIAN NATIONAL INTERESTS.

3. IN EFFORT TO SEE MORE CLEARLY WHAT HAS REALLY HAPPENED,  
CONSULATE ECON STAFF HAS SPENT PAST FOUR MONTHS RESEARCHING  
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IMPACT OF CAP ON MILAN CONSULAR DISTRICT. LIMITATIONS AND  
DIFFICULTIES OF SUCH SAMPLE ARE EVIDENT AND MAY HELP EXPLAIN  
WHY CONCLUSIONS ARE NOT SHARED BY OUR AGRICULTURAL OFFICER.  
OUR LACK OF RESOURCES TO EXAMINE BROADER IMPACT OF  
INDUSTRIAL COMMON MARKET, LABOR AND CAPITAL MOBILITY AND  
OTHER COMMUNITY MEASURES UPON DISTRICT SIMILARLY PREVENT  
DRAWING BROADER CONCLUSIONS ABOUT IMPACT OF EC AS A WHOLE.

4. OUR STUDY, TRANSMITTED AS A-011, CONCLUDES THAT TWENTY YEARS AFTER TREATY OF ROME FEELINGS ABOUT IMPACT OF EUROPEAN COMMUNITY'S CAP ON AGRICULTURE IN RICH AND FERTILE PO VALLEY ARE MIXED. ALTHOUGH COMMUNITY AGRICULTURAL POLICY IS NOW FIXED PART OF SCENERY IN THIS NORTHERN ITALIAN CONSULAR DISTRICT, CAP HAS NOT BEEN NOTABLY SUCCESSFUL IN BETTERING DISTRICT'S AGRICULTURAL STRUCTURAL INFIRMITIES OR SUBSTANTIALLY INCREASING VOLUME OF FOOD PRODUCTION. CAP IMPACT HAS BEEN PRINCIPALLY TO INCREASE ITALIAN AGRICULTURAL IMPORTS. GROWING IMPORTS OF EC FOOD PRODUCTS HAVE MADE POSSIBLE HIGHER STANDARD OF LIVING FOR CONSUMER, BUT HAVE UNDERMINED LOCAL FARM PRODUCER'S COMPETITIVITY AND TIPPED LOCAL FOOD TRADE BALANCE WITH EC OVERWHELMINGLY TO DEFICIT SIDE.

5. FROM EARLY SIXTIES, WHEN CAP BECAME FUNCTIONING MECHANISM WITHIN EUROPEAN COMMUNITY, TO EARLY 1970'S, DISTRICT'S FOOD IMPORTS FROM EC SKYROCKETED. BETWEEN 1963 AND 1973 FOOD TRADE DEFICIT WITH EC QUINTUPLED. THESE FOOD IMPORTS MADE POSSIBLE HIGHER CONSUMPTION LEVELS, BUT ALSO UNDERMINED INCENTIVES FOR INCREASING PRODUCTION.

6. IT APPEARS THAT MANY OF COMMUNITY'S FOOD ITEMS, PARTICULARLY MEAT AND DAIRY PRODUCTS, SIMPLY HAVE BEEN LESS EXPENSIVE THAN LOCALLY PRODUCED ITEMS. LOCAL  
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EXPERTS TELL US THAT SECTOR'S FACTOR MIX HAS NOT BEEN RIGHT FOR SUCCESSFUL COMPETITION WITH OTHER EUROPEANS. FARMS HAVE BEEN TOO SMALL, LABOR SCARCE, AND FARMERS OVER-MECHANIZED. COMPARATIVELY LOW PROFITS IN FARMING, MOREOVER, HAVE RESULTED IN SHIFT OF RESOURCES INTO NON-FARM ACTIVITIES.

7. SKEPTICISM OVER MANY ASPECTS OF CAP IS WIDESPREAD LOCALLY. THERE IS RECOGNIZED TO HAVE BEEN SOME IMPROVEMENT IN STRUCTURE OF AGRICULTURAL SECTOR-FARMS ARE SLOWLY GETTING LARGER FOR EXAMPLE--BUT MANY SAY THAT CAP IS NOT DIRECTLY RESPONSIBLE. NOR HAS CAP GIVEN PO VALLEY FARMER WHAT HE CONSIDERS SUFFICIENT PROTECTION. FEW ARE HAPPY AT PROSPECT OF AGRICULTURAL SPECIALIZATION ON EUROPEAN LEVEL. AND MANY LACK CONFIDENCE IN CAP REFORM PROPOSALS.

8. PRESENCE OF EC IMPORTS IS, IN FACT, FORCING CHANGE IN PO VALLEY AGRICULTURE. COMPETITION IS SLOWLY MOVING RESURCES TOWARD THEIR MOST PROFITABLE USES AND MARGINAL LAND, FARMS AND FARMERS ARE BEING PUSHED OR PULLED OUT-- A PAINFUL PROCESS. UNLESS THIS MOVEMENT IS ARRESTED, CAP WILL CONTINUE INDIRECTLY TO TRANSFORM FARM SECTOR INTO ONE HAVING SMALLER ROLE IN ECONOMY OF THIS CONSULAR DISTRICT.

9.IT IS INSTRUCTIVE TO NOTE THAT IN EXTENSIVE RANGE INTERVIEWS ON LOCAL FARM ECONOMY, RESEARCHERS WERE NEVER TOLD THAT LOWER COST OF IMPORTED FOOD AND SHIFT OF LABOR FROM FARMS TO INDUSTRY HAD HAD OVERALL BENEFICIAL IMPACT ON ITALIAN ECONOMY. ONLY CRITICS COMPLAINING OF COMPETITION AND DECLINING PO VALLEY FARM ECONOMY SEEM TO BE GETTING PUBLIC ATTENTION.  
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10. OUTSIDE OBSERVER MUST CONCLUDE THAT TRENT ENCOURAGED BY EC, WHILE PAINFUL FOR MANY PARTS OF TRADITIONAL FARM COMMUNITY AND WHILE CREATING MEDIUM TERM POLITICAL PROBLEMS AS URBANIZED FARMER SHIFTS TO LEFT, IS PROBABLY BEST LONG TERM DIRECTION FOR LOCAL ECONOMY AND FOR MODERNIZING POLITICAL INSTITUTIONS AS WELL.FINA

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